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# CONDITIONS IN THE WOMEN'S GARMENT INDUSTRY

January 8, 1985

## ECONOMIC BACKGROUND

Following six quarters of sizable gains in overall economic activity, the economy slowed decisively in the last half of 1984. The nation's real output of goods and services -- gross national product adjusted for price changes -- rose only 0.4 percent in the third quarter of 1984 compared to an average quarterly increase of 1.7 percent from the beginning of 1983 through the second quarter of 1984.

Inventory buildup provided the basis for the third quarter gain. Business investment slowed from its first half pace and housing construction fell by 1.2 percent. In general, early reports for the last three months of 1984 show a dismal October performance with some improvement in November, but on balance continued expansion appears to be very much in doubt.

* As noted in our September 1984 report, the widely heralded investment boom made little contribution to sustained economic growth. Capital spending for one-time modernization did not significantly expand production capacity or industrial employment. Much of it went for imported machinery which did not benefit the domestic economy. Early Conference Board estimates suggest that investment by the largest companies will decline sharply in 1985.

* Employment growth in the last half of 1984 continued to be almost entirely in the service sector. The growth in goods-producing employment slowed to a crawl, with seasonally adjusted manufacturing employment little changed since mid-year.

* Official unemployment continues to exceed 8.1 million persons. Unemployment spells currently average four months, longer than in any post-World War II year but 1983. In addition, there are still 1.2 million discouraged workers not counted as unemployed, plus 5.4 million people working part-time because full-time jobs are not available.

* Real average weekly pay for production and non-supervisory workers in late 1984 remained at the same level as the year before and was ten percent below the average level for the 1970s.

Research Department International Ladies' Garment Workers' Union

* Consumer purchases, which pulled the economy out of recession two years ago, have weakened as stagnant labor income has taken its toll. A sharp increase in borrowing made possible a minute 0.2 percent rise in consumer spending in the third quarter over the second quarter. While expenditures for services rose by 0.9 percent, outlays for nondurable goods fell by 0.3 percent and durable goods purchases dropped by 0.9 percent.

* To the extent that interest rates remain relatively high, the foreign exchange value of the dollar also remains dangerously high, exacerbating the already massive trade deficit. Since 1980, the value of the dollar has climbed by over 40 percent against the currencies of our major trading partners. Effectively, U.S. imports have been made more than 40 percent cheaper and exports at least 40 percent more costly.

The Administration admitted the severity of the budget deficit crisis only in the election afterglow. Since election day, it has launched trial balloons for further steep domestic budget cuts and for radical tax reform to undo some of the damage produced by its drastic 1981 tax cuts. There is a growing awareness in Washington that the budget deficit is losing its stimulative effect because consumer purchases and domestic investment are more and more being satisfied by foreign production.

The merchandise trade deficit — the excess of imports over exports of manufactured goods, raw materials and agricultural products — will likely surpass $130 billion for 1984 and may reach $150-175 billion in 1985, exerting a dampening effect on the economy. Little or no attention is being paid to the long-term consequences of the trade imbalance. The general assumption is that the trade deficit will disappear if and when the exchange value of the U.S. dollar declines sufficiently.

This perspective ignores the potentially harmful consequences of a falling dollar — higher interest rates and inflation and shakier banks — and fails to recognize the permanent damage to the economy and employment that is inflicted by surging imports. The ever-growing flood of imports allows foreign producers to establish a foothold in the U.S. market that, as experience has shown, they will not easily relinquish.

Since 1980, a staggering deterioration has taken place in the manufacturing trade balance. From a $12 billion surplus in manufactured exports over imports in 1980, U.S. manufacturing trade was $38 billion in the red in 1983. In the first ten months of 1984, the manufacturing trade deficit was already $76 billion. Because of low labor costs in many countries which ship to the U.S., one dollar of imports displaces more than one dollar of U.S. output.

The huge drop in U.S. oil imports and the attendant lower dollar outlay since 1980 have been swamped by the rising tide of manufactured imports. While the manufacturing share of U.S. exports has remained level, the manufacturing share of imports rose from 51 percent in 1980 to 68 percent in 1984.

By area of the world, the sharpest reversals in earlier U.S. trade surpluses have occurred in trade with Latin America and Western Europe. Under intense pressure from the International Monetary Fund and multinational banks, debt-burdened Latin American countries have cut their imports and boosted their exports, especially to the U.S. Prolonged recession in Western Europe and the

high value of the dollar have eroded U.S. export sales, completely wiping out the $18 billion 1980 U.S. trade surplus with those countries.

The largest import increases in the 1980s have come from the group of non-Communist Asian countries. Trade with Japan, Taiwan, Hong Kong, South Korea, Indonesia, Singapore and the Philippines was $40 billion in deficit in 1983. The U.S. trade deficit with these countries, which are also major shippers of textile, apparel and electronics products, rose by 80 percent in the first eight months of 1984.

The net U.S. position in trade in services, although still in surplus, has been declining in recent years. Two-thirds of our international service income, however, is made up of interest payments to American banks and profits from foreign investment by U.S. corporations.

## RETAIL SALES

Taken as a whole, the nation's retailers rang up a new record volume on their cash registers in 1984. While there were some signs around the end of the year that the strong gains of the past two years were moderating, consumer spending still provided the major force supporting the economy.

Many factors contributed to the strength in retail sales. The 1984 round of tax reductions left many Americans, particularly those in higher income brackets, with greater disposable income. An increase in the number of working women, leading to more two-earner families, had a similar result. Unmarried persons stepped up expenditures for items such as household goods that once would have been delayed until a family was started. New electronics products also attracted consumer dollars. An emphasis on luxury goods and convenience products pervaded the marketplace.

Overall retail sales advanced 13.3 percent in the first half of 1984 by comparison with a year ago. This was on top of a 9.2 percent gain in calendar year 1983. With retail prices rising only moderately, the real volume of sales advanced 8.9 percent through June of 1984.

Most of the retail strength through mid-year came from the sale of durable goods as pent-up demand and more reasonable interest rates led to a gain of 22.5 percent in sales, equal to a 15.3 percent rise once price increases are taken into account. In the nondurable goods sector, sales were ahead only 8.8 percent in current dollars and 5.5 percent in real terms.

After mid-year, a number of disquieting factors emerged on the retail scene. While consumer spending continued to grow by comparison with the prior year, the margin of advance narrowed. In the five months from July through November 1984, overall sales grew by 8.2 percent in actual dollars and 5.0 percent in real terms. Durable goods store sales moved ahead 14.0 percent compared to the same 1983 months, while nondurable sales were up 5.4 percent. In real terms, the gains were 8.6 percent and 3.0 percent respectively.

RETAIL SALES OF WOMEN'S AND CHILDREN'S WEAR* BY TYPE OF OUTLET
(in millions of dollars)

| Period | Total Sales | Department Stores | Women's Specialty Stores | Family Clothing Stores | Other Retail Outlets |
|---|---|---|---|---|---|
| 1973 | $27,972 | $12,308 | $9,336 | $2,502 | $3,826 |
| 1974 | 29,617 | 12,761 | 9,910 | 2,735 | 4,211 |
| 1975 | 31,683 | 13,451 | 10,926 | 2,933 | 4,373 |
| 1976 | 34,298 | 14,670 | 11,840 | 3,207 | 4,581 |
| 1977 | 36,527 | 16,251 | 11,925 | 3,472 | 4,879 |
| 1978 | 40,944 | 17,765 | 13,947 | 3,758 | 5,474 |
| 1979 | 43,668 | 19,011 | 14,804 | 3,995 | 5,858 |
| 1980 | 45,845 | 19,903 | 15,227 | 4,495 | 6,220 |
| 1981 | 50,605 | 22,368 | 16,440 | 4,954 | 6,843 |
| 1982 | 52,957 | 23,324 | 17,226 | 5,423 | 6,985 |
| 1983 | 57,273 | 25,226 | 18,835 | 5,740 | 7,472 |
| Jan-Jun'83 | 24,637 | 10,788 | 8,285 | 2,526 | 3,038 |
| Jan-Jun'84 | 27,787 | 12,103 | 9,583 | 2,691 | 3,410 |
| Jul-Oct'83 | 18,461 | 7,902 | 6,229 | 2,054 | 2,276 |
| Jul-Oct'84 | 19,975 | 8,574 | 6,858 | 2,092 | 2,451 |

* Data include traditional products of the women's garment industry as well as millinery, furs, hosiery, gloves and other accessories.
SOURCE: ILGWU Research Department (benchmarked to 1967, 1972, and 1977 Census of Business)

Although retail sales could not be expected to continue to rise indefinitely at the pace set earlier in the recovery, retailers were planning as if that pace could be maintained. Inventories were kept high and solid orders placed for new goods, particularly imports which require longer lead times.

Consumers, however, moderated their spending spree. Needs had become satisfied and buying returned to a more normal tempo. Warm weather also discouraged buying of fall and winter seasonal goods. Retailers were forced to turn increasingly to markdowns and promotions to bolster traffic and keep their stocks in better balance. Neither higher price stores nor branded lines were immune from the promotional activity.

While price cutting helped keep retail sales moving, a number of disquieting factors loom on the horizon. Retail profits have been impaired and merchants are in an increasingly uneasy mood. Domestic orders have been cut back in an effort to keep stocks in line, since they are easier to cancel than import orders. As a result, retailers can also be expected to turn more and more to imports and to private label merchandise in an effort to recoup lost profits.

Retail sales of women's and children's wear were caught up in the general pattern of retail sales last year. In the first half of 1984, sales of female apparel advanced by 12.8 percent and in the following four months -- July to October -- they gained by 8.2 percent over a year ago. This strong showing is especially noteworthy considering that there were few major fashion shifts last year other than the brief flurry of mannish styles.

While retail prices of women's and children's apparel have historically increased far more slowly than prices in general, the pattern was especially obvious this year. In the first six months of 1984 prices were ahead of last year by only 1.4 percent and since July the gain has been only 0.3 percent. By way of comparison, retail prices of all commodities rose 4.0 percent and 3.0 percent respectively.

With price movements moderating, real sales of feminine apparel showed substantial gains. In the first six months of 1984, real dollar sales were 11.2 percent ahead of the same period of 1983 and since mid-year they have advanced by 7.8 percent. Preliminary data for November and December suggest that these gains continued. When the final tally is in, it is likely that the real gains in 1984 will be among the best in the last two decades.

Of the various outlets selling women's and children's wear, the largest increases in 1984 were chalked up by the specialty stores. Department stores were next, followed by "other outlets". Family clothing stores ran far behind, especially in the latter part of 1984.

## PRODUCTION OF WOMEN'S AND CHILDREN'S WEAR

Buoyant retail sales of women's and children's wear helped the domestic industry in the first half of 1984. As retailers sought to restock their shelves, a 6.0 percent gain was registered in the physical volume of output of women's and children's wear as compared to the first half of 1983.

When consumer buying fell below expectations after mid-year, however, the domestic industry bore the brunt of order cutbacks. Preliminary data for the four months July through October 1984 indicate that the physical volume of output declined 3.2 percent. As is usually the case, orders for imported goods are less affected by cutbacks because of the longer lead time and greater difficulty of cancellation, while domestic orders are more readily subject to the vagaries of the market.

The monthly data collected by the Bureau of the Census on production of key items of women's outerwear also demonstrate this mid-year retrogression. The most dramatic shift in output occurred in women's suits, where a gain of 22.4 percent in the first half of the year, in comparison with a year earlier, turned into a 13.0 percent decline in the next four months. In the case of women's jackets, a 7.0 percent gain in the first half of 1984 was followed by a 14.0 percent decline while a 4.4 percent advance in blouse production through June was accompanied by a 22.9 percent drop in the four following months.

## UNIT PRODUCTION OF SELECTED WOMEN'S AND MISSES' GARMENTS AND PHYSICAL VOLUME OF OUTPUT, WOMEN'S AND CHILDREN'S APPAREL INDUSTRY
(in millions)

| Period | UNIT PRODUCTION | | | | | | | | | Physical Volume of Output# |
|---|---|---|---|---|---|---|---|---|---|---|
| | Coats | Suits @ | Tailored Jackets | Dresses | Blouses | Knit Sport Shirts | Skirts | Slacks & Jeans | Sweaters * | |
| 1966 | 27.7 | 11.6 | N.A. | 321.3 | 223.2 | 49.2 | 131.1 | 110.9 | 147.0 | $9,065 |
| 1972 | 25.2 | 24.6 | N.A. | 289.4 | 215.3 | 86.3 | 66.2 | 205.6 | 130.8 | $8,729 |
| 1973 | 24.6 | 25.0 | N.A. | 275.5 | 236.5 | 85.0 | 64.7 | 225.1 | 151.3 | $8,684 |
| 1974 | 22.4 | 28.1 | N.A. | 236.9 | 245.2 | 99.7 | 57.9 | 238.5 | 458.3 | $8,363 |
| 1975 | 23.2 | 32.5 | 16.4 | 222.7 | 277.8 | 107.7 | 63.7 | 240.4 | 134.8 | $8,335 |
| 1976 | 22.2 | 32.5 | 20.8 | 213.5 | 296.2 | 117.9 | 64.9 | 246.4 | 127.2 | $8,451 |
| 1977 | 20.1 | 32.2 | 21.8 | 228.3 | 335.6 | 151.6 | 68.8 | 227.9 | 127.5 | $8,730 |
| 1978 | 20.6 | 30.0 | 21.8 | 239.5 | 365.0 | 154.3 | 78.0 | 215.9 | 121.6 | $8,905 |
| 1979 | 20.6 | 24.8 | 25.2 | 247.2 | 412.7 | 157.8 | 79.6 | 250.3 | 107.7 | $9,099 |
| 1980 | 19.4 | 18.7 | 32.7 | 252.8 | 403.8 | 155.7 | 87.3 | 264.3 | 107.6 | $9,087 |
| 1981 | 16.1 | 13.6 | 44.9 | 218.4 | 387.9 | 133.1 | 111.1 | 272.8 | 124.9 | $8,751 |
| 1982 | 13.1 | 12.2 | 49.3 | 203.1 | 389.4 | 154.3 | 110.8 | 262.1 | 120.4 | $8,522 |
| 1983 | 13.5 | 11.4 | 46.0 | 197.5 | 419.1 | 131.6 | 108.5 | 279.2 | 121.1 | $8,586 |
| Jan-Jun'83 | 5.6 | 5.5 | 22.1 | 113.0 | 208.9 | 71.5 | 53.8 | 149.7 | 49.6 | $4,192 |
| Jan-Jun'84 | 4.4 | 6.7 | 23.6 | 103.6 | 218.1 | 69.3 | 52.4 | 135.2 | 50.8 | $4,444 |
| Jul-Oct'83 | 6.1 | 4.1 | 16.7 | 58.4 | 145.0 | 37.8 | 38.2 | 91.1 | 49.0 | $2,935 |
| Jul-Oct'84 | 4.8 | 3.6 | 14.4 | 51.3 | 111.7 | 34.7 | 30.9 | 76.5 | 35.9 | $2,839 |

N.A. -- Not available
@ Suits including pant-suits
* Sweaters for women and men
# Physical volume of output of women's and children's apparel industry expressed in 1967 value.
SOURCE: U.S. Bureau of the Census and ILGWU Research Department (benchmarked to 1963, 1967 and 1972 Census of Manufactures).

Sweater output rose 2.6 percent in the first six months of 1984, but suffered a 26.8 percent setback from July through October. Women's sweaters gained 12.7 percent through June, but plunged thereafter by 32.0 percent. In contrast, men's sweaters were down throughout 1984, by 14.3 percent in the first half and by 18.4 percent from July through October.

The other products for which monthly data are compiled by the Census Bureau were all below 1983 levels in both the early and later portions of 1984. Here again, the output showed larger decreases after mid-year.

For example, coat production declined 20.9 percent through June and then fell 21.2 percent in the following four months. Dress output was down 7.0 percent and 12.2 percent in the respective periods. Knit sport shirts were off by 3.1 percent in the first half and by 8.1 percent thereafter. Skirt production was down 2.5 percent in the first six months and fell 19.2 percent from July through October. Slacks and jeans dropped 9.6 percent followed by a 16.0 percent fall in the next four months.

Statistical data are not available for other women's and children's garments. However, it appears that the same pattern — a generally worsening situation after mid-year — prevailed in most of the industry. Clearly, the reaction of stores to burgeoning inventories, unseasonably warm weather and some slowdown in consumer spending severely cut back orders for domestic goods.

## IMPORTS

The domestic apparel industry has had to endure two successive years of horrifying growth in imports. Following an advance of 12.4 percent in total apparel imports between 1982 and 1983, a rise of 22.3 percent took place in the first eleven months of 1984. Measurements are made in terms of equivalent square yards of fabric needed to manufacture various garment types.

In women's and children's wear, imports rose 21.0 percent between 1982 and 1983. In the first ten months of 1984, imports of female apparel are already up 19.0 percent (detailed data for November are not yet available). However, with two months still remaining, the 1984 volume of shipments already exceeds the shipments in the whole year 1983.

While the growth rate has moderated in the last two months of 1984, it will not mean any real abatement in the import torrent. It has been customary for a slowdown to take place as the year's end nears because the annual quotas for various items become filled and because of seasonal factors. Renewed growth spurts usually appear when the new year starts.

The 1984 import growth through October took place across a broad front. Imports of cotton women's and children's wear rose 26.4 percent, with knit cotton goods ahead 30.2 percent and those of woven fabric up by 25.1 percent. Imports of wool women's and children's apparel were up by 27.9 percent, 25.0 percent in knits and 32.1 percent in wovens.

The smallest gains, though still very substantial, were in man-made fiber women's and children's apparel, which was ahead by 16.0 percent. Knit apparel was up by 12.6 percent and woven fabric apparel by 21.1 percent.

Unit values of imported women's and children's wear imports increased in 1984. The most significant rise was in knitted garments where a gain of 13.9 percent took place. The advance in the unit value of woven garments was only 1.8 percent. Overall, unit values advanced 6.8 percent.

The surge in imports of women's and children's wear in 1984 was evident in every one of the 21 products for which data are separately available. Imports of knit shirts, brassieres, bodywear and slacks and shorts showed the smallest

IMPORTS OF SELECTED WOMEN'S AND CHILDREN'S GARMENTS
(in thousands of units)

| Product | Year 1979 | Year 1980 | Year 1981 | Year 1982 | Year 1983 | Jan-Oct. 1983 | Jan-Oct. 1984 |
|---|---|---|---|---|---|---|---|
| Coats & jackets, cotton | 6,392 | 14,580 | 19,706 | 18,835 | 18,429 | 16,330 | 20,500 |
| " " " wool | 1,936 | 2,259 | 2,300 | 2,229 | 3,276 | 2,925 | 3,713 |
| " " " synthetic | 22,274 | 26,017 | 30,071 | 38,484 | 39,920 | 33,811 | 36,833 |
| TOTAL | 32,602 | 42,857 | 52,077 | 59,548 | 61,626 | 53,066 | 61,046 |
| Suits, wool | 445 | 344 | 654 | 1,018 | 1,390 | 1,275 | 1,319 |
| " synthetic | 1,725 | 1,370 | 2,112 | 2,955 | 4,963 | 3,976 | 4,778 |
| TOTAL | 2,169 | 1,715 | 2,766 | 3,973 | 6,353 | 5,251 | 6,096 |
| Dresses, cotton | 4,832 | 8,413 | 9,396 | 9,397 | 12,280 | 10,911 | 14,425 |
| " wool | 496 | 1,013 | 1,109 | 415 | 1,022 | 773 | 1,904 |
| " synthetic | 11,860 | 13,884 | 15,839 | 13,798 | 21,599 | 18,405 | 21,477 |
| " silk (non-ornamented) | 990 | 1,143 | 1,697 | 1,563 | 2,385 | 2,087 | 2,855 |
| TOTAL | 18,178 | 24,453 | 28,041 | 25,172 | 37,286 | 32,170 | 40,660 |
| Blouses, cotton | 126,743 | 107,475 | 118,007 | 125,985 | 140,055 | 119,532 | 149,177 |
| " wool | 6,450 | 6,603 | 7,968 | 5,186 | 7,166 | 5,564 | 8,971 |
| " synthetic | 89,169 | 93,214 | 96,686 | 107,699 | 123,598 | 107,157 | 112,058 |
| " silk (non-ornamented) | 3,806 | 3,668 | 5,402 | 4,272 | 6,094 | 5,054 | 8,498 |
| TOTAL | 226,168 | 210,960 | 228,064 | 243,142 | 276,913 | 237,306 | 278,694 |
| Knit shirts (a), cotton | 58,774 | 51,421 | 47,488 | 54,144 | 57,799 | 48,565 | 63,521 |
| " " synthetic | 123,630 | 116,788 | 126,803 | 137,109 | 170,522 | 148,219 | 141,425 |
| TOTAL | 182,404 | 168,209 | 174,290 | 191,253 | 228,321 | 196,784 | 204,946 |
| Sweaters (b), cotton | 5,485 | 6,115 | 5,651 | 8,900 | 10,000 | 7,806 | 11,888 |
| " wool | 19,910 | 30,659 | 27,519 | 31,055 | 34,392 | 30,828 | 37,114 |
| " synthetic | 94,846 | 112,384 | 112,541 | 115,162 | 128,954 | 121,202 | 125,922 |
| TOTAL (c) | 120,747 | 149,879 | 148,968 | 161,475 | 187,595 | 170,154 | 209,415 |
| Skirts, cotton | 8,469 | 9,955 | 14,327 | 14,740 | 19,530 | 17,343 | 23,526 |
| " wool | 1,626 | 1,298 | 1,287 | 1,556 | 2,933 | 2,573 | 3,815 |
| " synthetic | 4,040 | 3,522 | 5,945 | 7,038 | 13,980 | 11,681 | 13,757 |
| TOTAL | 14,135 | 14,774 | 21,559 | 23,334 | 36,443 | 31,596 | 41,099 |
| Slacks & shorts, cotton | 86,368 | 97,843 | 106,626 | 99,844 | 140,596 | 124,743 | 132,382 |
| " " " wool | 745 | 959 | 1,348 | 1,552 | 2,200 | 1,971 | 2,769 |
| " " " synthetic | 66,431 | 68,584 | 75,475 | 107,291 | 97,163 | 84,196 | 97,850 |
| TOTAL (c) | 153,869 | 168,035 | 184,530 | 209,386 | 240,745 | 211,539 | 234,005 |
| Playsuits, cotton | 12,292 | 18,114 | 21,230 | 23,157 | 24,100 | 19,779 | 29,785 |
| " synthetic | 7,839 | 8,382 | 7,911 | 7,126 | 9,493 | 7,272 | 11,241 |
| TOTAL | 20,132 | 26,496 | 29,141 | 30,283 | 33,593 | 27,051 | 41,027 |
| Raincoats (b), cotton | 4,029 | 2,331 | 1,995 | 2,044 | 2,332 | 1,822 | 3,462 |
| " synthetics | 5,542 | 4,365 | 4,764 | 4,578 | 4,445 | 3,580 | 6,339 |
| TOTAL | 9,572 | 6,696 | 6,759 | 6,623 | 6,777 | 5,401 | 9,801 |
| Dressing gowns & robes, cotton | 1,005 | 1,814 | 2,487 | 3,349 | 4,196 | 3,373 | 3,788 |
| " " " " wool | 5 | 82 | 7 | 8 | 10 | 8 | 14 |
| " " " " synthetic | 1,695 | 1,555 | 2,046 | 2,015 | 2,418 | 1,775 | 3,171 |
| TOTAL (c) | 2,712 | 3,469 | 4,572 | 5,406 | 6,689 | 5,204 | 7,051 |
| Nightwear & pajamas, cotton | 6,369 | 6,652 | 10,678 | 11,803 | 13,130 | 11,242 | 12,765 |
| " " " synthetic | 1,848 | 1,873 | 2,735 | 4,755 | 6,570 | 4,885 | 8,521 |
| TOTAL (c) | 8,221 | 8,534 | 13,423 | 16,585 | 19,742 | 16,131 | 21,334 |
| Underwear, cotton | 15,971 | 19,177 | 28,368 | 45,980 | 70,313 | 59,582 | 55,341 |
| " wool | 204 | 266 | 227 | 263 | 250 | 230 | 224 |
| " synthetic | 23,490 | 33,960 | 40,693 | 38,109 | 50,978 | 39,240 | 74,183 |
| TOTAL (c) | 39,739 | 53,466 | 69,502 | 84,654 | 121,857 | 99,240 | 130,332 |
| Brassieres, cotton | 2,223 | 1,619 | 1,178 | 1,640 | 3,244 | 2,840 | 2,554 |
| " synthetic | 131,508 | 142,529 | 150,922 | 136,239 | 144,733 | 119,145 | 127,376 |
| TOTAL | 133,731 | 144,148 | 152,100 | 137,879 | 147,976 | 121,985 | 129,930 |
| Girdles & corsets, cotton | 14 | 5 | 54 | 23 | 38 | 32 | 62 |
| " " " synthetic | 5,041 | 6,830 | 7,752 | 7,445 | 9,546 | 7,489 | 10,738 |
| TOTAL | 5,055 | 6,835 | 7,806 | 7,468 | 9,584 | 7,520 | 10,800 |
| Infants' sets (d), cotton & synthetic | 31,761 | 35,947 | 36,634 | 35,999 | 43,964 | 34,662 | 51,337 |
| Swimwear, synthetic | 13,865 | 11,379 | 8,059 | 9,247 | 9,949 | 7,858 | 10,102 |
| Tops & vests, cotton & synthetic | 13,346 | 17,399 | 13,160 | 9,453 | 8,393 | 7,519 | 10,452 |
| Body suits & shirts, synthetic | 3,109 | 730 | 1,564 | 2,684 | 5,289 | 4,577 | 5,053 |
| Coveralls (e), synthetic | 746 | 737 | 812 | 908 | 1,165 | 933 | 1,316 |
| Judo/karate suits, cotton & synthetic | 96 | 184 | 190 | 273 | 293 | 255 | 421 |

(a) Excludes knit tops
(b) Men's, women's and children's
(c) Includes garments of silk and other fibers not shown separately
(d) Up to and including 2 years of age
(e) Includes overalls and jumpsuits

SOURCE: U.S. Bureau of the Census (imports for consumption)

gains, rising between 4 and 11 percent. Coat and jacket, suit and blouse imports rose 15 to 17 percent. For sweaters, dresses and swimwear the gain was between 23 and 28 percent.

Imports of skirts, underwear, nightwear and robes and dressing gowns rose from 30 to 35 percent, while those of coveralls, girdles and corsets, tops and vests, and infants' sets were ahead by 41 to 48 percent. The largest gains -- 52 to 82 percent -- were in playsuits, judo and karate suits and rainwear.

This unparalleled growth in imports has been accomplished despite the extensive control system put in place over the years. While looseness in the drafting and administration of bilateral agreements permits substantial increases from the controlled countries, imports from non-controlled countries, including a number of developed countries, have been zooming. In the first ten months of 1984, total apparel imports from Italy rose 167 percent. Imports from United Kingdom were up by 74 percent while those from France were 56 percent higher. Portugese shipments were 279 percent higher, while those from Turkey were up 231 percent.

A major contributing factor to this rise in imports has been the increase in the value of the dollar which has lowered the cost of foreign products. Substantial increases also took place in shipments from uncontrolled Caribbean countries and others around the globe. All in all, shipments from sources outside the controls of the Multifiber Arrangement nearly doubled in this period and now account for 27 percent of all apparel imports.

Clearly new mechanisms are needed if the domestic apparel industry and its workers are to be saved from decimation. There is a crying need for global controls to prevent total imports of any given apparel product from disrupting the domestic market. Such a mechanism should be used to spread apparel imports evenly throughout the year and prevent harmful surges early in the year. While the recent regulation providing for spacing out of release of embargoed goods will be of some help, a similar approach is clearly needed for all imports, not just embargoed ones, and spread over the entire year, not just five months.

The impact of the new country of origin rules is still an open question and particularly ominous in that the rules still permit the country where cutting takes place to be the country of origin. This may in part help explain the tremendous growth in shipments from some of the European countries that are known to be centers for the cutting of apparel fabrics.

At this point, pressures still exist in U.S. Government agencies to get around the system of import controls, ineffective as it may be. Efforts continue to be made to promote the production of apparel in nearby countries under provisions of Item 807.00 of the Tariff Schedules and to find ways to bring such goods into the United States exempt in part or totality from MFA controls.

Imported apparel is expected to represent more than one half of the domestic market in 1984. Renewed efforts must be made by the ILGWU and the domestic industry to roll back the level of imports to 25 percent of consumption thereby providing badly needed jobs for American workers.

EMPLOYMENT, MANHOURS, AND PAYROLLS, WOMEN'S AND CHILDREN'S GARMENT INDUSTRY

AVERAGE EMPLOYMENT OF PRODUCTION WORKERS

| Period | Coat, Suit Skirt | Dress | Blouse | Knit Outerwear (*) | Child. Outerwear | Other Outerwear | Corset, Brassiere | Underwear Nightwear | Knit Underwear (*) |
|---|---|---|---|---|---|---|---|---|---|
| 1973 | 64,500 | 183,700 | 45,900 | 70,200 | 68,900 | 102,000 | 24,700 | 72,800 | 28,700 |
| 1980 | 57,100 | 127,900 | 54,100 | 59,400 | 55,100 | 120,400 | 13,900 | 62,100 | 26,700 |
| 1981 | 53,200 | 121,300 | 55,000 | 60,000 | 54,700 | 123,400 | 14,200 | 62,500 | 26,300 |
| 1982 | 47,900 | 110,900 | 52,200 | 55,400 | 52,000 | 117,700 | 12,100 | 58,600 | 24,200 |
| 1983 | 47,800 | 106,900 | 50,900 | 53,100 | 50,700 | 122,400 | 12,100 | 58,900 | 25,600 |
| Jan-Jun'83 | 46,000 | 107,500 | 51,000 | 51,700 | 49,700 | 122,200 | 12,000 | 56,800 | 24,900 |
| Jan-Jun'84 | 45,800 | 109,700 | 51,200 | 53,800 | 53,400 | 130,100 | 12,800 | 62,200 | 26,800 |
| Jul-Oct'83 | 50,400 | 106,300 | 50,500 | 54,500 | 51,300 | 120,700 | 12,000 | 60,100 | 26,000 |
| Jul-Oct'84 | 48,300 | 99,300 | 49,700 | 54,100 | 53,300 | 121,800 | 11,800 | 61,600 | 26,100 |

MANHOURS OF PRODUCTION WORKERS (in millions)

| Period | Coat, Suit Skirt | Dress | Blouse | Knit Outerwear (*) | Child. Outerwear | Other Outerwear | Corset, Brassiere | Underwear Nightwear | Knit Underwear (*) |
|---|---|---|---|---|---|---|---|---|---|
| 1973 | 109.7 | 307.6 | 80.0 | 134.6 | 123.1 | 182.6 | 44.6 | 132.3 | 54.6 |
| 1980 | 97.1 | 202.6 | 92.7 | 114.2 | 97.9 | 209.2 | 24.1 | 113.4 | 49.4 |
| 1981 | 90.2 | 197.6 | 93.8 | 112.5 | 99.0 | 216.6 | 25.4 | 114.1 | 47.5 |
| 1982 | 78.1 | 179.9 | 89.7 | 101.7 | 92.1 | 199.9 | 20.4 | 102.8 | 41.9 |
| 1983 | 81.3 | 175.4 | 88.2 | 98.6 | 90.8 | 219.3 | 21.7 | 107.6 | 47.9 |
| Jan-Jun'83 | 38.6 | 88.0 | 43.7 | 46.7 | 44.3 | 108.9 | 10.6 | 50.6 | 23.1 |
| Jan-Jun'84 | 39.4 | 91.9 | 44.9 | 50.9 | 49.2 | 119.1 | 11.7 | 58.1 | 25.5 |
| Jul-Oct'83 | 29.4 | 58.7 | 30.0 | 35.0 | 30.9 | 72.6 | 7.3 | 38.0 | 16.4 |
| Jul-Oct'84 | 28.3 | 55.4 | 29.2 | 33.9 | 32.9 | 72.2 | 7.3 | 38.7 | 16.5 |

PAYROLLS OF PRODUCTION WORKERS (in millions of dollars)

| Period | Coat, Suit Skirt | Dress | Blouse | Knit Outerwear (*) | Child. Outerwear | Other Outerwear | Corset, Brassiere | Underwear Nightwear | Knit Underwear (*) |
|---|---|---|---|---|---|---|---|---|---|
| 1973 | $347.1 | $906.5 | $209.6 | $389.0 | $314.3 | $481.7 | $120.1 | $321.9 | $144.5 |
| 1981 | 490.9 | 1,002.7 | 436.9 | 567.4 | 450.6 | 1,032.7 | 121.3 | 508.5 | 234.5 |
| 1982 | 444.0 | 946.5 | 427.8 | 534.1 | 436.2 | 991.7 | 103.9 | 476.3 | 216.6 |
| 1983 | 484.0 | 966.5 | 432.8 | 544.8 | 435.7 | 1,113.5 | 114.6 | 517.3 | 255.1 |
| Jan-Jun'83 | 223.6 | 477.8 | 214.1 | 254.2 | 212.1 | 549.5 | 54.6 | 242.0 | 122.4 |
| Jan-Jun'84 | 239.2 | 517.6 | 225.3 | 292.2 | 243.6 | 619.9 | 65.1 | 285.4 | 141.2 |
| Jul-Oct'83 | 178.3 | 327.7 | 147.3 | 194.6 | 148.1 | 368.7 | 39.2 | 182.5 | 87.2 |
| Jul-Oct'84 | 176.4 | 320.5 | 148.5 | 196.6 | 162.8 | 379.1 | 40.6 | 194.2 | 91.2 |

* Men's and women's garments

SOURCE: U.S. Bureau of Labor Statistics and ILGWU Research Department estimates

## EMPLOYMENT, MANHOURS AND PAYROLLS

In our September 1984 report we predicted that the upturn in employment activity in our industry would represent a brief respite. Unfortunately, our predictions have proven to be correct. A rise in employment of 4.6 percent and a gain of 8.0 percent in total hours worked in the first half of 1984 over the same period of 1983 was followed by declines of 1.2 percent in both production worker employment and total hours in the next four months. Cutbacks in orders placed with domestic firms, coupled with losses of jobs at firms that shut their doors, accounted for the turnaround.

An 11.9 percent gain in total industry payrolls in the first half of 1984 was converted to a gain of only 2.2 percent from July through October. A reduction of 1.2 percent in the average hours worked per week, as well as the employment decline, helped hold back payrolls despite wage gains.

The softening of activity after mid-year was evident in every branch of the industry. Four of the nine sectors that had shown employment gains in the first half of the year compared with 1983 posted declines thereafter. The corset and brassiere industry went from a rise of 6.7 percent in the first half of 1984 to a drop of 1.7 percent from July on. An early gain of 4.1 percent in knitted outerwear employment was offset by a falloff of 0.7 percent. The dress branch had gained 2.0 percent through June; it fell by 6.6 percent thereafter. In blouses, a 0.4 percent increase in employment changed to a 2.2 percent loss.

Four industry branches continued to gain in employment after mid-year, but at a much slower pace than previously. Employment in underwear and nightwear went up 9.7 percent in the first six months of 1984, but only 2.5 percent in the four months from July through October. Children's outerwear gains moderated from a 7.4 percent rise to an advance of 3.9 percent. In "other outerwear" -- slacks, shorts, playwear, swimwear and washable service apparel -- a gain of 6.5 percent softened into a gain of only 0.9 percent. In knitted underwear, a gain of 7.6 percent was lowered to one of 0.4 percent.

The branch producing women's coats, suits and skirts posted declines in both parts of 1984. As against the same period of 1983, production worker employment was down by 0.4 percent in the first half and by 4.2 percent in the following four months.

The weakening position of the industry in the latter half of the year is also evident from the data on hours worked. Six of the nine branches suffered declines in the length of the average workweek after mid-year.

## HOURLY EARNINGS

The available data on hourly earnings in the various branches of the women's and children's apparel industry are collected and published by the U.S. Bureau of Labor Statistics. As such, they include data for both shops under contract with the ILGWU and those not covered by our agreements. The data do not include the hourly cost of fringe benefits.

AVERAGE HOURLY EARNINGS, WOMEN'S GARMENT AND OTHER SELECTED INDUSTRIES

| Industry | Oct. 1974 | Oct. 1979 | Oct. 1980 | Oct. 1981 | Oct. 1982 | Oct. 1983 | Oct. 1984 |
|---|---|---|---|---|---|---|---|
| WOMEN'S GARMENTS | | | | | | | |
| Coats, suits, skirts | $3.55 | $4.65 | $5.25 | $5.58 | $5.75 | $6.18 | $6.25 |
| Dresses | 3.20 | 4.43 | 4.90 | 5.14 | 5.31 | 5.61 | 5.82 |
| Blouses | 2.92 | 4.06 | 4.41 | 4.72 | 4.77 | 4.95 | 5.12 |
| Knitted outerwear* | 3.24 | 4.40 | 4.76 | 5.17 | 5.30 | 5.65 | 5.78 |
| Children's outerwear | 2.82 | 3.89 | 4.30 | 4.65 | 4.69 | 4.82 | 4.96 |
| Other outerwear | 2.96 | 4.20 | 4.54 | 4.83 | 4.98 | 5.10 | 5.31 |
| Corsets, brassieres | 2.99 | 4.23 | 4.46 | 4.90 | 5.10 | 5.43 | 5.24 |
| Underwear, nightwear | 2.70 | 3.86 | 4.16 | 4.52 | 4.71 | 4.84 | 5.12 |
| Knitted underwear* | 2.93 | 4.17 | 4.63 | 5.02 | 5.23 | 5.37 | 5.54 |
| MEN'S CLOTHING | | | | | | | |
| Suits, coats | 3.76 | 5.26 | 5.43 | 5.86 | 6.10 | 6.26 | 6.64 |
| Shirts, nightwear | 2.66 | 3.84 | 4.20 | 4.53 | 4.62 | 4.75 | 4.87 |
| Separate trousers | 2.87 | 4.11 | 4.42 | 4.72 | 4.83 | 5.05 | 5.18 |
| Work clothing | 2.68 | 3.81 | 4.18 | 4.51 | 4.77 | 4.88 | 5.06 |
| ALL MANUFACTURING | 4.59 | 6.82 | 7.50 | 8.16 | 8.55 | 8.90 | 9.22 |
| NON-DURABLE GOODS | 4.14 | 6.15 | 6.74 | 7.33 | 7.81 | 8.12 | 8.43 |
| DURABLE GOODS | 4.89 | 7.25 | 8.02 | 8.73 | 9.11 | 9.47 | 9.75 |
| Automobiles | 6.22 | 9.15 | 10.45 | 11.36 | 11.62 | 12.38 | 12.79 |
| Primary metal industries | 5.82 | 9.11 | 10.10 | 10.97 | 11.41 | 11.28 | 11.32 |
| Printing, publishing | 5.14 | 7.10 | 7.73 | 8.41 | 8.88 | 9.23 | 9.49 |
| Rubber and plastic products | 4.20 | 6.14 | 6.74 | 7.31 | 7.72 | 8.08 | 8.31 |
| Cotton fabrics | 3.26 | 5.04 | 5.49 | 5.96 | 6.07 | 6.49 | 6.75 |
| Silk and synthetic fabrics | 3.35 | 5.11 | 5.52 | 6.08 | 6.22 | 6.67 | 6.98 |
| Wool fabrics | 3.40 | 4.94 | 5.35 | 5.85 | 6.19 | 6.58 | 6.84 |
| COAL MINING | 6.27 | 10.31 | 10.97 | 12.16 | 12.92 | 14.02 | 14.80 |
| BUILDING CONTRACTORS | 6.49 | 8.79 | 9.48 | 10.15 | 10.80 | 10.76 | 10.98 |

* Men's and women's garments
SOURCE: U.S. Bureau of Labor Statistics

The largest increase between October 1983 and October 1984 — 28 cents — took place in the underwear and nightwear industry. The basic agreement in that sector was renewed in 1984. Hourly earnings rose 21 cents an hour in both the dress industry and in "other outerwear" which produces a miscellany of such products slacks, shorts, playwear, swimwear and service apparel.

In the knitted underwear and blouse industries, hourly earnings advanced 17 cents between October 1983 and October 1984, while in children's outerwear the gain was 14 cents. Knitted outerwear earnings moved up 13 cents an hour and corset and brassiere earnings were 11 cents ahead. The smallest gain — 7 cents an hour — took place in the coat, suit and skirt industry where, activity has been extremely slow.

## CURRENT OUTLOOK

It is too early to be able to forecast with any degree of accuracy whether or not the slowdown in the last half of 1984 will lead to a full-fledged downturn in 1985. Since World War II, expansionary fiscal policy -- federal spending increases and/or tax cuts -- has been used in an effort to stave off or limit the intensity of recessions. But by creating a permanently bloated budget deficit, the Reagan Administration has made discretionary fiscal policy more difficult to use as a counter-cyclical tool.

The Federal Reserve began to ease credit last September in response to the economic slowdown and interest rates have come down. The dollar's relative value has been kept high, however, because foreign interest rates have also declined. If that pattern continues, only a severe recession can be expected to lessen the import flood.

On the other hand, if U.S. rates drop to a level below those abroad, foreign capital, which entered the U.S. in response to our high interest rates, may desert the U.S. The nation's dependence on the inflow of short-term foreign funds to meet an important part of the budget deficit has grown to rival the third world debt problem as a potentially destabilizing force. If a sudden exodus of capital develops because of further interest rate declines or other unforeseeable factors, interest rates would again climb, creating severe pressures on the economy.

The consensus view is for 1985 to be a year of "growth recession", that is, slow growth with rising unemployment and continued high interest rates. However, the use of this kind of terminology obscures, as it is intended to do, what is truly happening in the economy.

In October 1979, the Federal Reserve embarked on its high interest rate, anti-inflation crusade, which was also in part a response to pressure from abroad where national economies were being seriously harmed by prior U.S. economic policies. Through its extravagant tax giveaways to corporations and the wealthy and its military buildup, the Reagan Administration contributed the budget deficit straitjacket. Together with the destruction of past socio-economic programs, these Reagan policies have put the economy on a roller coaster with devastating effects on the living standards of most Americans.

* The degree of inequality in the U.S. has sharply increased as much of the progress achieved over the postwar period has been erased. According to the latest available Census Bureau data, the richest 20 percent of the population increased its share of national income from 41.5 percent in 1977 to 49 percent in 1982. At the other extreme, the poorest fifth now have a lower share than at any time since Census began to collect data on income distribution in 1947.

* According to the Congressional Budget Office, households earning under $10,000 a year will lose $23 billion between 1983 and 1985 as a result of tax and benefit changes enacted in President Reagan's first term. On the other hand, households with more than $80,000 in annual income will gain $35 billion.

* High interest rates partly account for the regressive redistribution of income. The wage and salary share of total personal income fell from 62.7

percent in 1980 to 59.7 percent in the third quarter of 1984. In the same period, the interest share of total personal income rose from 12.3 percent to 15 percent.

* In 1982, the top 25 percent of all taxpayers received half of taxable interest. Less than 6 percent alone received 28 percent of taxable interest. These data, however, seriously understate the inequality in interest income distribution since they exclude tax-free interest from municipal bonds.

* The concentration of wealth is even more skewed than income distribution. A 1983 survey by the Federal Reserve and the U.S. Department of Health and Human Services found that 5 percent of American families own almost 43 percent of the nation's net wealth. Twenty percent of the survey families had zero or negative net worth.

* The distribution of financial wealth — total wealth minus homes and other real estate — is even more concentrated. The wealthiest two percent of families own 54 percent of total net financial assets and the wealthiest 10 percent account for 86 percent of such assets.

* As the Catholic Bishops, in their pastoral letter on the economy, concluded: "The distribution of income and wealth in the U.S. is so inequitable that it violates the minimum standard of distributive justice".

The 15.2 percent poverty rate in 1983 is the highest since 1965. Until 1979 it had been declining fairly steadily. For blacks, the poverty rate was 35.7 percent in 1983, and for Hispanics, 28.4 percent. The 1981 budget cuts alone pushed at least 560,000 people into poverty, according to a Congressional Research Service report. The Administration's recent proposal for additional domestic budget cuts would reduce funding for programs for the poor by $31 billion over three years.

A recent Bureau of Labor Statistics report indicated the severity of joblessness among workers affected by plant closings and permanent layoffs in the four years between January 1979 and January 1984. The study focused on those who had been at their jobs at least three years before being displaced.

Of the 5.1 million displaced workers, only 60 percent had jobs when surveyed in January of 1984. A little over a quarter were counted as officially unemployed but 14.4 percent had dropped out of the labor force and were, therefore, not considered to be unemployed. Among those who had found full-time work and who held full-time jobs when displaced, almost half reported lower earnings than on their previous jobs and two-thirds of those with lower earnings suffered cuts of 20 percent or more.

Income distribution and demographic developments have clear relevance for the fortunes of the apparel industry in the months ahead. In the short run, a significant segment of the population, particularly those in the higher income brackets, can be expected to have the ability to continue to spend. Included in this group are a growing number of women who are attaining higher levels in their careers and need suitable wardrobes.

For the longer run, however, there may be some slowdown in the number of women entering the labor force as the participation rate moves closer to that of men. Some of the heightened spending on women's apparel undoubtedly came from the growth in labor force participation. An increased number of births each year since the mid-1970's had helped support the demand for children's wear. Now it appears from early data that a decline in the number of births may have taken place last year. The aging of the baby boom population provides a boost to the segment of the population with the greatest propensity to work and spend on clothes. This, too, may be expected to lose impact as time goes on.

For the immediate future, there will most likely be continued gains at retail although at a pace lower than the hectic one set in 1984. The last few days of the Christmas selling season seems to have pulled store performance nearer to expectations. Promotional activity will undoubtedly continue as stores try to keep inventories in check. This, in turn, will bring more shoppers into the stores and boost sales, if not profits. There are signs that the emphasis on mannish styles has already passed and that for spring there will be a renewed exploration of feminine styles.

Events of the past few years, however, have made it painfully clear that a vast difference exists between the retail performance in women's and children's wear and the impact on the domestic industry. That difference is imports.

Unless the government of the United States takes firm steps to control the situation, it is likely that retailers will turn even more to foreign made goods to boost markups and, thereby, profits. In the face of the slow growth patterns apparel consumption generally exhibit, an increase in the share of imports can only spell further decline in domestic activity and in job opportunities for our workers.

A5900-1

# CONDITIONS IN THE WOMEN'S GARMENT INDUSTRY

June 24, 1985

## ECONOMIC BACKGROUND

On the heels of a weak second half last year, economic growth continued to moderate in the first quarter of 1985. The nation's real output of goods and services -- Gross National Product adjusted for price changes -- increased only 0.1 percent in the first quarter. From the first quarter of 1984 to the first quarter of this year, real output grew a modest 3.3 percent.

For the last 12 months, the civilian unemployment rate has remained around the present 7.3 percent, extraordinarily high in historic terms and especially at this stage in the economic cycle. Officially, unemployment continues at around 8.4 million. In addition, an estimated 1.3 million discouraged workers are not counted as unemployed, nor are the 5.9 million working part-time because full-time jobs are not available.

The consumer price index increased 3.7 percent in the 12 months ending May 1985. Real average weekly earnings for production and non-supervisory workers fell 1.3 percent over this period. Compared to the early 1970s, real weekly pay for these workers is down 13 percent.

The strength of consumer demand early this year offset the poor performance registered by most other GNP components. Sizable borrowing boosted consumer purchases as personal income growth slowed from last year's respectable pace. Consumer installment debt grew at near record rates in the early part of 1985.

An increasing portion of domestic spending has been siphoned off by surging imports, which, in turn, has held back overall economic growth. If the excess of imports over exports of goods and services had not risen, real domestic output would have increased 1.0 percent in the first quarter instead of the paltry 0.2 percent.

The growth in business investment, a key element in future economic growth, continued to falter. Private sector capital spending remained flat in real terms in the first quarter, compared to a 4.1 percent average quarterly growth since early 1983. A 2.4 percent first quarter rise in investment in new structures -- mainly office and commercial buildings -- offset a 1.4 percent drop in capital equipment spending.

Housing construction managed a 0.3 percent gain following six months of decline in the last half of 1984, while total government purchases declined by 1.2 percent in the first quarter.

To stave off the threat of recession, the Federal Reserve Board lowered its discount rate, the rate banks pay on their borrowings, in May to 7.5 percent and it may go lower. Conventional mortgage interest rates have dropped by two percentage points since last summer and car loan rates have come down sharply since December. The prime rate that major banks charge their preferred business customers has dropped from 13 percent last summer to 9.5 percent. These sharp interest rate declines have improved prospects for an increase in housing construction, home sales and consumer durable demand.

Consumer installment credit relative to after-tax income is high by historical standards. However, changes in consumer credit practices have altered traditional expectations that high debt burdens necessarily dampen consumer spending. For example, average maturities on new car loans increased from 46.3 months at the end of 1983 to around 52 months this spring.

Yet, there is little reason to assume a long-term continuation of economic expansion. While a majority of business economists do not expect a recession until 1986, the outlook for the rest of this year is clouded by many troubling factors that have become firmly embedded in the economy in recent years.

It has become apparent that the economy is moving on two tracks. Recovery and expansion have been overwhelmingly concentrated in the service sector. On the other hand, employment and production in many key industrial sectors have not recovered and the agricultural sector has sunk into depression.

Runaway imports of manufactured goods constitute the most threatening development undermining the nation's industrial base. On top of the record deficit in manufacturing trade last year, imports continue to climb while exports remain weak.

For the first four months of 1985, the manufacturing trade deficit grew by 19 percent to $34.6 billion, compared with $29.1 billion in the same 1984 period. Deterioration was especially marked in machinery and transportation equipment where the trade deficit widened by 38 percent. Beset by rising imports, manufacturing production has barely changed in the last 12 months.

Business investment has also suffered in the face of mounting imports. With industrial capacity use down from a year ago and at an historically low level for this stage of an expansion, there is little incentive to create additional productive capacity. Overwhelmingly, the capital spending by manufacturing firms is to modernize existing facilities. Capital spending is expected to moderate further in the remainder of the year and contract in 1986.

Weak commodity prices, declining exports and growing imports have reduced farm income. As with manufactured goods, many less developed countries have rapidly expanded agricultural production and narrowed the markets for American farm output. Farm income is projected to fall to $25 billion this year from last year's $33 billion.

The widely touted employment growth during the recovery has occurred almost exclusively in the service producing sector. Moreover, compared to the employment peak reached prior to the 1980 and 1981-82 recessions, the job shift away from manufacturing to services is even more stark.

Manufacturing employment has fallen by 160,000 since January of this year and is still 1.5 million below the 20.9 million level existing at the start of 1980. A number of manufacturing industries, including apparel and textiles, have lower employment now than at the last recession's low point. Although total industrial job loss has been concentrated in the Midwestern states, Pennsylvania and New York, one-third of all states have seen their manufacturing employment shrink by more than 10 percent since early 1979.

Construction employment has gained sharply in recent months, but is up only slightly from early 1980. Mining employment is slightly lower.

Retail trade, on the other hand, has added 2.3 million jobs since January, 1980, an increase of 15 percent. Employment in banks, insurance and real estate grew by 800,000, a 16 percent increase. Service industries, led by business and health services, have grown fastest, adding 4.3 million jobs from the start of 1980, an increase of over 24 percent. Average hourly earnings for non-supervisory workers in these three rapid growth industries range from 17 to 37 percent below the average for manufacturing production workers.

Although the rapid service sector employment growth has helped to keep the unemployment rate from rising further, the present mix of jobs in the economy is less favorable than in the late 1970s. Ultimately, total consumer buying power, the real driving force in the American economy, will suffer as a result. The buoyancy of job creation in services and overall economic growth will in time be constrained by stagnation in the industrial sector.

## RETAIL SALES

Although it is still the major force supporting the economy, retail sales slowed markedly during 1985. Total sales of the nation's retailers increased 5.7 percent in the first 5 months of the year over the same 1984 months. This represented about half of the average growth rate in the same period of the prior two years. Retail prices advanced 2.4 percent in this period and real sales moved ahead 3.2 percent.

Despite the continuing growth in employment and the moderating of interest rates, a number of factors accounted for the cooling-off of consumer spending.

* Much of the pent up demand that had accumulated during the 1982 recession had been satisfied.

* The absence of sharp price rises for a substantial period of time induced consumers to delay purchases until needed rather than buying early in the hope of saving.

* Previous anticipatory buying also left a current hole in consumer spending.

RETAIL SALES OF WOMEN'S AND CHILDREN'S WEAR* BY TYPE OF OUTLET
(in millions of dollars)

| Period | Total Sales | Department Stores | Women's Specialty Stores | Family Clothing Stores | Other Retail Outlets |
|---|---|---|---|---|---|
| 1973 | $27,972 | $12,308 | $9,336 | $2,502 | $3,826 |
| 1980 | 46,933 | 19,756 | 16,378 | 5,191 | 5,608 |
| 1981 | 52,198 | 22,153 | 18,115 | 5,982 | 5,948 |
| 1982 | 55,115 | 23,040 | 19,478 | 6,825 | 5,772 |
| 1983 | 60,302 | 25,061 | 21,696 | 7,775 | 5,770 |
| 1984 | 67,731 | 27,796 | 24,722 | 9,005 | 6,208 |
| Jan-Apr'83 | 16,355 | 6,801 | 6,008 | 1,981 | 1,565 |
| May-Aug'83 | 18,279 | 7,340 | 6,704 | 2,486 | 1,749 |
| Sep-Dec'83 | 25,667 | 10,920 | 8,983 | 3,308 | 2,456 |
| Jan-Apr'84 | 18,711 | 7,640 | 6,996 | 2,360 | 1,715 |
| May-Aug'84 | 20,975 | 8,245 | 7,887 | 2,920 | 1,923 |
| Sep-Dec'84 | 28,045 | 11,911 | 9,839 | 3,725 | 2,570 |
| Jan-Apr'85 | 20,015 | 8,149 | 7,477 | 2,663 | 1,726 |

* Data include traditional products of the women's garment industry as well as millinery, furs, hosiery, gloves and other accessories.

SOURCE: ILGWU Research Department (benchmarked to 1967, 1972, and 1977 Census of Business).

Retail inventories, which were inordinately high last fall, have been gradually worked off through stepped up promotions and reduced ordering. With stocks on store shelves reduced, retailers have been taking smaller markdowns on goods and running fewer promotional sales. The effect has been a softening of consumer activity at a time when it is needed to keep the economy moving.

The fall-off in the sales tempo was most noticeable in the case of durable goods stores where double digit increases in both actual and real terms had taken place in 1983 and 1984, fueled by heightened sales of automobiles, appliances and building materials. In the first five months of 1985, these sales were ahead 9.0 percent in dollars and 5.6 percent in real terms.

With so much consumer concentration on durable goods purchases, a smaller share of the consumer dollar was available for spending on soft goods. As a result, stores specializing in non-durable goods increased their sales only 3.4 percent in the first five months of 1985 as against a year ago and were ahead only 1.6 percent in real terms. By way of contrast, sales of non-durables rose 7.1 percent for the full year 1984 and 4.3 percent in real terms.

Reflecting the shifting economic mood, retail sales of women's and children's apparel and accessories also moved ahead at a slackened pace this Spring. In the first four months of 1985 sales volume was 7.0 percent ahead of last year. Retail prices rose 3.3 percent in the wake of diminished promotional activity. Real sales were up 3.4 percent. By way of comparison, retail sales of women's and children's wear in 1984 gained 12.3 percent in current dollars and were up 11.0 percent after allowance for the 1.2 percent rise in prices.

Full details on May sales are not yet available, but preliminary indications suggest that the sluggishness of the earlier months continued to persist. Sales of all apparel stores combined rose 6.5 percent, while those of department stores -- a major apparel purveyor --rose 5.7 percent. A significant portion of these May gains is undoubtedly due to price rises.

Unless there is a major economic downturn, modest growth in retail sales of women's and children's wear is likely to continue through the balance of 1985. Retail inventories are more in line and ordering for fall suggests some bullishness on the part of retailers. It is unlikely, however, that the overordering of last year will be repeated. While there are few dramatic fashion developments, there is an obvious movement away from last year's mannish styles and a trend toward more feminine looks.

Among the various types of stores selling women's and children's wear, family clothing stores racked up the largest gains in 1985. Women's specialty stores and department stores ran virtually neck and neck. The poorest showing was made by "other outlets", which include variety stores, discounters and mail-order houses.

## PRODUCTION OF WOMEN'S AND CHILDREN'S WEAR

The dramatic shifts on the retail scene took a severe toll on our industry in the past year. For a brief period early in 1984, production activity advanced. But from mid-year on, domestic output sank as retailers cut back on orders in an effort to trim inventories.

Preliminary estimates of the ILGWU Research Department indicate that the physical volume of output of women's and childrens wear gained by 7.5 percent in the first four months of 1984, by 1.1 percent in the next four months and declined 8.1 percent in the last third of the year. For the first four months of 1985, output was behind the same 1984 months by 6.0 percent.

While cutting back their total purchases, retailers maintained maximum levels of imports. As a result, domestic producers bore the brunt of the retail shift. Stores stepped up their direct acquisition of goods abroad, especially private label apparel, in order to boost profit margins. Continued purchasing from large resources that source abroad also led to greater inroads of imported apparel in retailer's stocks.

The Census Bureau collects monthly production data for only a limited number of women's outerwear items. Here, too, retrogression in production is the dominant theme. Eight of the nine products for which data are available showed

UNIT PRODUCTION OF SELECTED WOMEN'S AND MISSES' GARMENTS AND TOTAL OUTPUT, WOMEN'S AND CHILDREN'S APPPAREL INDUSTRY
(in millions)

| | UNIT PRODUCTION | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Period | Coats | Suits @ | Tailored Jackets | Dresses | Blouses | Knit Sport Shirts | Skirts | Slacks & Jeans | Sweaters * | Total Output# |
| 1966 | 27.7 | 11.6 | N.A. | 321.3 | 223.2 | 49.2 | 131.1 | 110.9 | 147.0 | $9,065 |
| 1976 | 22.2 | 32.5 | 20.8 | 213.5 | 296.2 | 117.9 | 64.9 | 246.4 | 127.2 | $8,451 |
| 1980 | 19.4 | 18.7 | 32.7 | 252.8 | 403.8 | 155.7 | 87.3 | 264.3 | 107.6 | $9,087 |
| 1981 | 16.1 | 13.6 | 44.9 | 218.4 | 387.9 | 133.1 | 111.1 | 272.8 | 124.9 | $8,751 |
| 1982 | 13.1 | 12.2 | 49.3 | 203.1 | 389.4 | 154.3 | 110.8 | 262.1 | 120.4 | $8,522 |
| 1983 | 13.5 | 11.4 | 46.0 | 197.5 | 419.1 | 131.6 | 108.5 | 279.2 | 121.1 | $8,586 |
| 1984 | 10.2 | 12.3 | 43.7 | 179.6 | 375.3 | 120.4 | 94.9 | 248.9 | 105.8 | $8,585 |
| Jan-Apr'83 | 2.8 | 3.5 | 14.7 | 77.8 | 131.4 | 51.3 | 35.6 | 100.7 | 31.1 | $2,721 |
| May-Aug'83 | 5.7 | 4.2 | 15.1 | 63.7 | 146.3 | 37.0 | 37.3 | 94.7 | 41.8 | $2,952 |
| Sep-Dec'83 | 4.9 | 3.8 | 16.2 | 56.0 | 141.4 | 43.2 | 35.6 | 83.7 | 48.1 | $2,913 |
| Jan-Apr'84 | 2.2 | 4.6 | 16.0 | 74.1 | 154.3 | 48.7 | 34.5 | 89.1 | 35.2 | $2,925 |
| May-Aug'84 | 4.6 | 3.9 | 15.2 | 54.7 | 119.7 | 35.7 | 33.4 | 84.3 | 32.8 | $2,984 |
| Sep-Dec'84 | 3.3 | 3.8 | 12.6 | 50.8 | 101.3 | 36.0 | 27.0 | 75.5 | 37.8 | $2,676 |
| Jan-Apr'85 | 1.4 | 4.7 | 13.0 | 63.7 | 120.8 | 35.0 | 28.7 | 83.5 | 24.9 | $2,750 |

N.A. -- Not available
@ Suits including pant-suits
* Sweaters for women and men
# Physical volume of output of women's and children's apparel industry expressed in 1967 value.
SOURCE: U.S. Bureau of the Census and ILGWU Research Department (benchmarked to 1963, 1967 and 1972 Census of Manufactures).

declines for 1984 taken as a whole as did all nine products in the first four months of 1985. The largest decline -- 36.4 percent -- took place in the case of women's coats. Coat production has undergone a long term downward trend and is now less than a third of the level only 10 years ago.

Sweater output was down 29.3 percent this year, with women's sweater output off by 36.2 percent and men's sweater production falling by 12.1 percent. Women's knit sport shirts also have suffered severely with output down 28.1 percent.

Blouse production declined 21.7 percent in 1985, while that of tailored jackets was off 18.7 percent and skirts were behind 16.8 percent. Dress output fell by

14.0 percent this year. Women's slacks and jeans declined 6.3 percent. The smallest loss -- 4.0 percent -- was registered by women's suits.

Monthly data are not collected for a myriad of other items of women's and children's wear. Preliminary indications are that they, too, have witnessed cutbacks in domestic production, although not as severely in every case.

The continued inroads of imports underline the need for the United States government to establish regular, mandatory, timely collection of apparel production data to determine whether or not market disruption is taking place.

In view of the assertion that the government is seeking to maintain the domestic industry, it is disappointing that, after so much time has elapsed, the Administration has failed to push for appropriate legislation to provide an accurate accounting of domestic production on a timely basis . Legislation mandating the collection of such data has again been introduced in the Congress and, hopefully, will be supported by the Administration.

## IMPORTS

After 2 years of unbridled growth, apparel imports levelled off in the first four months of 1985. Imports of women's and children's apparel made of cotton, wool and man-made fibers, measured in square yards of material used in their manufacture, declined 7.0 percent in these months compared with a year ago.

It would be a mistake, however, to assume that this is more than a passing blip. Available data show that the import problem is not being solved by the slowdown and that the domestic industry is damaged far more than foreign producers by the economic events that have framed this year's brief respite.

The major contributor to the temporary import hiatus was the erratic inventory policies of American retailers. In 1983 and 1984 they bought imports far beyond the capacity of consumers to spend on their wardrobes.

Gains of 20.8 percent and 17.4 percent respectively in women's and children's wear imports were roughly double the gains in real retail volume in the two years. It was only a matter of time until overloaded pipelines would bring on a cutback in ordering. With stock levels now considerably reduced, new import orders can be expected in the upcoming period.

Unlike many previous periods, 1985 imports reflected wide swings in the relative performance of different goods. Imports of knit women's and children's apparel in the three major fibers declined 15.1 percent. A 3.8 percent gain in cotton knits was more than offset by a 29.5 percent cut in wool knits and a drop of 21.3 percent in man-made knits. Woven women's and children's apparel was unchanged from last year, the result of a 4.0 percent decline in cotton apparel imports and gains of 7.6 percent and 3.6 percent respectively in wool and man-made clothing.

The above data, however, understate the import impact, since they exclude such fibers as silk, linen and ramie which are not subject to controls. Imports in these fibers have been growing far more rapidly than overall imports in the

IMPORTS OF SELECTED WOMEN'S AND CHILDREN'S GARMENTS
(in thousands of units)

| Product | Year 1980 | Year 1981 | Year 1982 | Year 1983 | Year 1984 | Jan-Apr 1984 | Jan-Apr 1985 |
|---|---|---|---|---|---|---|---|
| Coats & jackets, cotton | 14,584 | 19,774 | 18,935 | 18,528 | 23,085 | 7,409 | 7,530 |
| " " " wool | 2,259 | 2,300 | 2,229 | 3,276 | 4,343 | 598 | 690 |
| " " " synthetic | 26,035 | 31,744 | 39,915 | 42,645 | 43,578 | 13,990 | 9,702 |
| TOTAL | 42,879 | 53,818 | 61,079 | 64,448 | 71,007 | 21,997 | 17,921 |
| Suits, wool | 344 | 654 | 1,018 | 1,390 | 1,413 | 200 | 139 |
| " synthetic | 1,370 | 2,112 | 2,955 | 4,963 | 5,503 | 2,716 | 1,754 |
| TOTAL | 1,715 | 2,766 | 3,973 | 6,353 | 6,916 | 2,916 | 1,893 |
| Dresses, cotton | 8,413 | 9,396 | 9,397 | 12,280 | 16,063 | 8,217 | 8,293 |
| " wool | 1,013 | 1,109 | 415 | 1,022 | 2,109 | 268 | 151 |
| " synthetic | 13,884 | 15,839 | 13,798 | 21,599 | 25,626 | 10,320 | 10,143 |
| " silk (non-ornamented) | 1,143 | 1,697 | 1,563 | 2,385 | 3,304 | 1,462 | 1,027 |
| TOTAL | 24,453 | 28,041 | 25,172 | 37,286 | 47,101 | 20,267 | 19,615 |
| Blouses, cotton | 107,475 | 118,007 | 125,985 | 140,055 | 164,373 | 71,260 | 79,005 |
| " wool | 6,603 | 7,968 | 5,186 | 7,166 | 10,060 | 1,897 | 999 |
| " synthetic | 93,214 | 96,686 | 107,699 | 123,598 | 128,085 | 54,953 | 56,181 |
| " silk (non-ornamented) | 3,668 | 5,402 | 4,272 | 6,094 | 10,684 | 4,232 | 3,062 |
| TOTAL | 210,960 | 228,064 | 243,142 | 276,913 | 313,203 | 132,342 | 146,157 |
| Knit shirts (a), cotton | 51,421 | 47,488 | 54,144 | 57,799 | 71,303 | 32,726 | 26,855 |
| " " synthetic | 116,788 | 126,803 | 137,109 | 170,522 | 158,221 | 74,923 | 56,420 |
| TOTAL | 168,209 | 174,290 | 191,253 | 228,321 | 229,523 | 107,650 | 83,274 |
| Sweaters (b), cotton | 6,115 | 5,651 | 8,900 | 10,000 | 15,189 | 6,434 | 7,989 |
| " wool | 30,659 | 27,519 | 31,055 | 34,392 | 42,063 | 6,399 | 5,581 |
| " synthetic | 112,460 | 112,608 | 115,244 | 128,981 | 136,211 | 27,877 | 23,441 |
| TOTAL (c) | 149,955 | 149,035 | 161,556 | 187,622 | 242,638 | 46,323 | 62,651 |
| Skirts, cotton | 9,955 | 14,327 | 14,740 | 19,530 | 25,501 | 12,831 | 11,287 |
| " wool | 1,298 | 1,287 | 1,556 | 2,933 | 4,206 | 547 | 484 |
| " synthetic | 3,522 | 5,944 | 7,038 | 13,980 | 15,685 | 7,020 | 4,885 |
| TOTAL | 14,774 | 21,559 | 23,334 | 36,443 | 45,392 | 20,398 | 16,656 |
| Slacks & shorts, cotton | 97,843 | 106,626 | 99,845 | 140,596 | 149,269 | 60,435 | 57,549 |
| " " " wool | 959 | 1,348 | 1,552 | 2,200 | 3,131 | 405 | 550 |
| " " " synthetic | 68,585 | 75,482 | 107,224 | 97,166 | 112,308 | 48,166 | 51,303 |
| TOTAL (c) | 168,036 | 184,537 | 209,390 | 240,748 | 265,970 | 109,484 | 109,902 |
| Playsuits, cotton | 18,114 | 21,230 | 23,157 | 24,100 | 34,631 | 15,003 | 20,804 |
| " synthetic | 8,382 | 7,911 | 7,126 | 9,493 | 14,144 | 7,409 | 6,637 |
| TOTAL | 26,496 | 29,141 | 30,283 | 33,593 | 48,776 | 22,412 | 27,441 |
| Raincoats (b), cotton | 2,331 | 1,995 | 2,044 | 2,332 | 3,927 | 1,563 | 896 |
| " synthetics | 4,365 | 4,764 | 4,578 | 4,445 | 7,534 | 2,224 | 2,533 |
| TOTAL | 6,696 | 6,759 | 6,623 | 6,777 | 11,460 | 3,787 | 3,429 |
| Dressing gowns & robes, cotton | 1,814 | 2,487 | 3,349 | 4,196 | 4,528 | 1,949 | 2,121 |
| " " " " wool | 82 | 7 | 8 | 10 | 20 | 4 | 5 |
| " " " " synthetic | 1,555 | 2,046 | 2,015 | 2,418 | 3,625 | 1,556 | 892 |
| TOTAL (c) | 3,469 | 4,572 | 5,406 | 6,689 | 8,270 | 3,549 | 3,060 |
| Nightwear & pajamas, cotton | 6,652 | 10,678 | 11,803 | 13,130 | 14,730 | 2,845 | 2,954 |
| " " " synthetic | 1,873 | 2,735 | 4,755 | 6,570 | 10,314 | 3,364 | 3,238 |
| TOTAL (c) | 8,534 | 13,423 | 16,585 | 19,742 | 25,111 | 6,224 | 6,216 |
| Underwear, cotton | 19,177 | 28,368 | 45,980 | 70,313 | 65,846 | 24,663 | 26,008 |
| " wool | 266 | 227 | 263 | 250 | 294 | 29 | 30 |
| " synthetic | 33,960 | 40,693 | 38,109 | 50,978 | 87,929 | 24,000 | 18,738 |
| TOTAL (c) | 53,466 | 69,502 | 84,654 | 121,857 | 154,855 | 48,936 | 48,846 |
| Brassieres, cotton | 1,619 | 1,178 | 1,640 | 3,244 | 2,800 | 880 | 2,853 |
| " synthetic | 142,529 | 150,922 | 136,239 | 144,733 | 149,281 | 51,917 | 50,232 |
| TOTAL | 144,148 | 152,100 | 137,879 | 147,976 | 152,080 | 52,797 | 53,085 |
| Girdles & corsets, cotton | 5 | 54 | 23 | 38 | 68 | 40 | 27 |
| " " " synthetic | 6,830 | 7,752 | 7,445 | 9,546 | 13,036 | 4,086 | 4,704 |
| TOTAL | 6,835 | 7,806 | 7,468 | 9,584 | 13,104 | 4,126 | 4,731 |
| Infants' sets (d), cotton & synthetic | 35,947 | 36,634 | 35,999 | 43,964 | 61,054 | 17,642 | 21,954 |
| Swimwear, synthetic | 11,379 | 8,059 | 9,247 | 9,949 | 12,090 | 7,395 | 8,918 |
| Tops & vests, cotton & synthetic | 17,399 | 13,160 | 9,453 | 8,393 | 12,358 | 5,039 | 3,730 |
| Body suits & shirts, synthetic | 730 | 1,564 | 2,684 | 5,289 | 5,728 | 2,395 | 1,808 |
| Coveralls (e), synthetic | 737 | 812 | 908 | 1,165 | 1,514 | 352 | 658 |
| Judo/karate suits, cotton & synthetic | 184 | 190 | 273 | 293 | 476 | 114 | 211 |

(a) Excludes knit tops
(b) Men's, women's and children's
(c) Includes garments of silk and other fibers not shown separately
(d) Up to and including 2 years of age
(e) Includes overalls and jumpsuits

SOURCE: U.S. Bureau of the Census (imports for consumption)

recent period as shippers try to get around quotas on the three major fibers. So far this year, imports of women's and children's apparel of uncontrolled fibers have increased 29.5 percent in dollar value compared to a gain of only 4.3 percent in dollar value of imports of the three major fibers.

Some of the turbulence in import shipments was the result of changes in country-of-origin rules adopted by the Customs Service last year. Retailers and other importers were forced to abandon some evasive practices and seek out new suppliers. Uncertainties about the future also unleashed major shifts in country performance as new suppliers were sought in order to get around quotas or potential legislative action.

Some of the inter-country shifts are apparent from the data on imports of all apparel (men's, women's and children's) from significant shippers in the first four months of 1985. Total imports of cotton, wool and man-made fiber apparel increased 0.4 percent. Shipments from the big four -- Taiwan, Hong Kong, Korea and China -- declined 13 percent. At the same time, a long list of smaller exporters boosted their shipments of apparel to our shores.

A sampling shows the following gains: Turkey 339 percent, Portugal 214 percent, Bangladesh 402 percent, Mauritius 175 percent, Malaysia 68 percent, Indonesia 31 percent, Mexico 36 percent, Brazil 93 percent, Jamaica 84 percent, Barbados 42 percent, and the Republic of South Africa 407 percent.

These shippers will want to hold on to the gains they have made and expand them, while the major shippers will look to restore their market share. Either way the prospect is for a fairly rapid resumption of import growth.

Wide disparities in shipments were also in evidence among the various items of women's and children's wear for which separate data are collected. Where last year all 21 products showed gains, thus far in 1985 ten items registered gains and eleven showed losses.

Coveralls and judo and karate suits both increased in excess of 85 percent; sweaters were 35 percent ahead; infants' sets, playsuits and swimwear were up between 20 and 25 percent; girdles and blouses rose between 10 and 15 percent; and brassieres and slacks and shorts gained less than one percent each.

On the downside in 1985 were underwear and nightwear, which registered declines of less than 1 percent; dresses off 3 percent; raincoats, dressing gowns, skirts and coats and jackets down between 10 and 20 percent; knit shirts, bodywear and tops and vests lower by between 23 and 26 percent and suits 35 percent down.

With imported apparel already accounting for over one half of the nation's clothing consumption and likely to grow, domestic production can be expected to face increasingly serious problems. The time is more than ripe for passage of the Textile and Apparel Trade Enforcement Act which would restore reason to our trade policies and permit the domestic industry a fair share of the domestic retail market.

## EMPLOYMENT, MANHOURS AND PAYROLLS

Sharp cutbacks in domestic orders by overstocked retailers, unmatched by cuts in imports, have taken a severe toll on activity in women's and children's wear in the past year. Employment opportunities in the industry's factories have, therefore, suffered.

After a brief recovery from late 1983 through the middle of 1984, overall employment began to slip. For 1984 as a whole, employment was up only 1.1 percent and in the last four months of the year it was off 3.0 percent. In 1985, the employment picture darkened still further. Employment declines in excess of 5 percent in January, February and March were followed by a 7.2 percent fall in April. For the four months combined, the decline against last year was 6.0 percent.

Lack of work in the industry this year has meant fewer hours of work each week for the average worker -- more than three quarters of an hour shorter than in the same 1984 months. With employment and hours declining, the total number of manhours worked also fell. They were off 7.6 percent in the first four months of this year. Shorter hours this year held gains in weekly earnings to 1.1 percent. The industry's payrolls in the first third of 1985 were 4.5 percent below last year's level.

Negative employment trends were pervasive this year and evident in every branch of our industry. The deepest cuts took place in the coat, suit and skirt industry, where employment was down 11.6 percent in the January-April period compared to the same 1984 months. Dress employment was off by 9.8 percent, while the drop was 8.4 percent in knit underwear and 8.3 percent in corsets and brassieres. The number of production workers declined 6.6 percent in the blouse industry and 6.4 percent in knit outerwear mills.

Declines were more moderate this year in underwear and nightwear and in children's outerwear where employment was off 4.4 percent and 4.2 percent respectively. The smallest decline -- 0.3 percent -- took place in "other outerwear", which encompasses production of a variety of sportswear items -- pants, shorts, playwear, swimwear -- and washable service apparel.

Detailed industry data are not yet available for May 1985, but preliminary information for the entire apparel industry suggests a continued, and possibly worsened, condition.

The 1985 reversals brought employment in 5 out of the 9 branches, and in the women's and children's wear industry as a whole, below the levels in the first four months of 1983. Thus, any gains in 1984 were more than wiped out this year. By historic standards, employment in our industry is extremely low. There are now 150,000 fewer production workers jobs than at the peak in 1973, a drop of 23 percent.

EMPLOYMENT, MANHOURS, AND PAYROLLS, WOMEN'S AND CHILDREN'S GARMENT INDUSTRY

AVERAGE EMPLOYMENT OF PRODUCTION WORKERS

| Period | Coat, Suit Skirt | Dress | Blouse | Knit Outerwear (*) | Child. Outerwear | Other Outerwear | Corset, Brassiere | Underwear Nightwear | Knit Underwear (*) |
|---|---|---|---|---|---|---|---|---|---|
| 1973 | 64,500 | 183,700 | 45,900 | 70,200 | 68,900 | 102,000 | 24,700 | 72,800 | 28,700 |
| 1980 | 57,100 | 127,900 | 54,100 | 59,400 | 55,100 | 120,400 | 13,900 | 62,100 | 26,700 |
| 1981 | 53,200 | 121,300 | 55,000 | 60,000 | 54,700 | 123,400 | 14,200 | 62,500 | 26,300 |
| 1982 | 47,900 | 110,900 | 52,200 | 55,400 | 52,000 | 117,700 | 12,100 | 58,600 | 24,200 |
| 1983 | 47,100 | 105,600 | 51,300 | 54,100 | 51,000 | 124,200 | 12,200 | 58,100 | 24,700 |
| 1984 | 46,300 | 100,200 | 51,400 | 56,400 | 54,200 | 130,200 | 12,300 | 59,700 | 23,700 |
| Jan-Apr'83 | 44,100 | 108,000 | 51,000 | 50,900 | 49,400 | 123,300 | 12,000 | 56,300 | 24,500 |
| May-Aug'83 | 49,000 | 104,700 | 51,100 | 54,400 | 50,800 | 123,500 | 12,000 | 57,500 | 24,800 |
| Sep-Dec'83 | 48,100 | 104,100 | 51,800 | 56,900 | 52,800 | 125,900 | 12,500 | 60,500 | 24,900 |
| Jan-Apr'84 | 44,600 | 106,000 | 52,400 | 55,500 | 53,800 | 133,200 | 12,700 | 60,200 | 24,200 |
| May-Aug'84 | 48,600 | 99,400 | 51,400 | 58,000 | 55,000 | 129,200 | 12,400 | 59,400 | 23,800 |
| Sep-Dec'84 | 55,700 | 95,300 | 50,300 | 55,500 | 53,700 | 128,300 | 11,800 | 59,400 | 23,100 |
| Jan-Apr'85 | 40,000 | 95,600 | 49,000 | 51,900 | 51,500 | 132,800 | 11,600 | 57,500 | 22,100 |

MANHOURS OF PRODUCTION WORKERS (in millions)

| Period | Coat, Suit Skirt | Dress | Blouse | Knit Outerwear (*) | Child. Outerwear | Other Outerwear | Corset, Brassiere | Underwear Nightwear | Knit Underwear (*) |
|---|---|---|---|---|---|---|---|---|---|
| 1973 | 109.7 | 307.6 | 80.0 | 134.6 | 123.1 | 182.6 | 44.6 | 132.3 | 54.6 |
| 1980 | 97.1 | 202.6 | 92.7 | 114.2 | 97.9 | 209.2 | 24.1 | 113.4 | 49.4 |
| 1981 | 90.2 | 197.6 | 93.8 | 112.5 | 99.0 | 216.6 | 25.4 | 114.1 | 47.5 |
| 1982 | 78.1 | 179.9 | 89.7 | 101.7 | 92.1 | 199.9 | 20.4 | 102.8 | 41.9 |
| 1983 | 80.1 | 173.1 | 88.9 | 100.6 | 91.4 | 222.4 | 21.8 | 106.4 | 46.3 |
| 1984 | 79.4 | 166.1 | 89.3 | 105.3 | 99.2 | 233.6 | 22.7 | 110.2 | 44.3 |
| Jan-Apr'83 | 24.0 | 58.0 | 28.5 | 29.7 | 28.7 | 72.2 | 6.8 | 32.5 | 14.7 |
| May-Aug'83 | 29.2 | 58.9 | 30.7 | 35.0 | 31.3 | 75.4 | 7.3 | 36.3 | 16.0 |
| Sep-Dec'83 | 26.9 | 56.3 | 29.7 | 35.9 | 31.3 | 74.8 | 7.6 | 37.7 | 15.6 |
| Jan-Apr'84 | 25.0 | 59.1 | 30.3 | 34.5 | 32.5 | 80.9 | 7.8 | 37.0 | 15.0 |
| May-Aug'84 | 29.5 | 56.5 | 31.0 | 37.9 | 34.9 | 79.6 | 7.9 | 38.1 | 15.7 |
| Sep-Dec'84 | 24.9 | 50.5 | 28.0 | 32.9 | 31.8 | 73.2 | 7.0 | 35.1 | 13.5 |
| Jan-Apr'85 | 22.3 | 53.6 | 28.1 | 31.1 | 30.5 | 79.1 | 7.0 | 34.0 | 12.9 |

PAYROLLS OF PRODUCTION WORKERS (in millions of dollars)

| Period | Coat, Suit Skirt | Dress | Blouse | Knit Outerwear (*) | Child. Outerwear | Other Outerwear | Corset, Brassiere | Underwear Nightwear | Knit Underwear (*) |
|---|---|---|---|---|---|---|---|---|---|
| 1973 | $347.1 | $906.5 | $209.6 | $389.0 | $314.3 | $481.7 | $120.1 | $321.9 | $144.5 |
| 1980 | 489.2 | 953.7 | 399.0 | 535.6 | 417.9 | 930.0 | 105.9 | 464.1 | 225.4 |
| 1981 | 490.9 | 1,002.7 | 436.9 | 567.4 | 450.6 | 1,032.7 | 121.3 | 508.5 | 234.5 |
| 1982 | 444.0 | 946.5 | 427.8 | 534.1 | 436.2 | 991.7 | 103.9 | 476.3 | 216.6 |
| 1983 | 476.7 | 953.7 | 436.1 | 555.4 | 438.5 | 1,129.6 | 115.1 | 511.4 | 246.6 |
| 1984 | 489.9 | 946.8 | 451.8 | 609.4 | 491.0 | 1,221.9 | 126.3 | 548.2 | 245.7 |
| Jan-Apr'83 | 137.4 | 314.0 | 139.4 | 161.8 | 137.7 | 364.2 | 35.2 | 155.6 | 78.3 |
| May-Aug'83 | 173.3 | 352.5 | 150.1 | 191.5 | 149.4 | 381.0 | 38.8 | 173.1 | 84.5 |
| Sep-Dec'83 | 166.0 | 314.2 | 146.5 | 202.0 | 151.3 | 384.4 | 41.2 | 182.7 | 83.8 |
| Jan-Apr'84 | 151.5 | 331.2 | 152.1 | 197.1 | 160.8 | 421.6 | 43.1 | 182.2 | 83.3 |
| May-Aug'84 | 181.4 | 322.7 | 155.9 | 219.6 | 172.0 | 412.9 | 44.1 | 187.1 | 87.1 |
| Sep-Dec'84 | 157.0 | 292.9 | 143.7 | 192.7 | 158.2 | 387.4 | 39.0 | 178.8 | 75.3 |
| Jan-Apr'85 | 140.8 | 311.9 | 144.8 | 186.9 | 155.2 | 422.7 | 40.3 | 176.5 | 73.5 |

* Men's and women's garments

SOURCE: U.S. Bureau of Labor Statistics and ILGWU Research Department estimates

## HOURLY EARNINGS

Hourly earnings information on the various branches of the women's and children's apparel industry are collected and published by the U.S. Bureau of Labor Statistics. They cover both union and non-union shops and exclude the cost of fringe benefits.

The most recently available information is for April 1985 and includes all the increases under the major ILGWU outerwear agreements that expired in May. Between April 1984 and April 1985 the largest increase -- 35 cents -- took place in the women's coat, suit and skirt industry. The next largest gain -- 32 cents -- was in knitted outerwear mills. Hourly earnings were ahead 30 cents in women's dresses and underwear and nightwear.

AVERAGE HOURLY EARNINGS, WOMEN'S GARMENT AND OTHER SELECTED INDUSTRIES

| Industry | Apr. 1975 | Apr. 1980 | Apr. 1981 | Apr. 1982 | Apr. 1983 | Apr. 1984 | Apr. 1985 |
|---|---|---|---|---|---|---|---|
| WOMEN'S GARMENTS | | | | | | | |
| Coats, Suits, skirts | $3.44 | $4.87 | $5.37 | $5.72 | $5.75 | $6.05 | $6.40 |
| Dresses | 3.32 | 4.58 | 5.03 | 5.25 | 5.42 | 5.60 | 5.90 |
| Blouses | 3.00 | 4.26 | 4.64 | 4.82 | 4.89 | 5.03 | 5.11 |
| Knitted outerwear* | 3.31 | 4.63 | 4.94 | 5.24 | 5.49 | 5.79 | 6.11 |
| Children's outerwear | 2.92 | 4.13 | 4.47 | 4.79 | 4.80 | 4.95 | 5.06 |
| Other outerwear | 3.04 | 4.40 | 4.80 | 4.94 | 5.07 | 5.23 | 5.38 |
| Corsets, brassieres | 3.12 | 4.37 | 4.70 | 5.13 | 5.20 | 5.60 | 5.84 |
| Underwear, nightwear | 2.80 | 4.05 | 4.45 | 4.62 | 4.81 | 4.93 | 5.23 |
| Knitted underwear* | 2.95 | 4.57 | 4.89 | 5.14 | 5.31 | 5.59 | 5.71 |
| MEN'S CLOTHING | | | | | | | |
| Suits, coats | 3.84 | 5.35 | 5.66 | 6.02 | 6.16 | 6.41 | 6.76 |
| Shirts, nightwear | 2.77 | 4.07 | 4.45 | 4.67 | 4.75 | 4.92 | 5.05 |
| Separate trousers | 2.90 | 4.29 | 4.65 | 4.84 | 5.01 | 5.19 | 5.41 |
| Work clothing | 2.80 | 4.09 | 4.47 | 4.69 | 4.89 | 5.09 | 5.31 |
| ALL MANUFACTURING | 4.75 | 7.10 | 7.88 | 8.42 | 8.75 | 9.12 | 9.48 |
| NON-DURABLE GOODS | 4.30 | 6.38 | 7.07 | 7.66 | 8.03 | 8.29 | 8.67 |
| DURABLE GOODS | 5.05 | 7.56 | 8.41 | 8.94 | 9.28 | 9.69 | 10.03 |
| Automobiles | 6.22 | 9.44 | 10.92 | 11.47 | 11.98 | 12.61 | 13.37 |
| Primary metal industries | 6.01 | 9.54 | 10.76 | 11.23 | 11.25 | 11.55 | 11.66 |
| Printing, publishing | 5.26 | 7.33 | 8.02 | 8.60 | 9.02 | 9.30 | 9.59 |
| Rubber and plastic products | 4.29 | 6.35 | 7.06 | 7.54 | 7.92 | 8.27 | 8.48 |
| Cotton fabrics | 3.31 | 5.11 | 5.48 | 6.01 | 6.40 | 6.76 | 7.07 |
| Silk and synthetic fabrics | 3.36 | 5.05 | 5.64 | 6.07 | 6.53 | 6.94 | 7.19 |
| Wool fabrics | 3.42 | 5.07 | 5.59 | 6.05 | 6.36 | 6.76 | 6.99 |
| COAL MINING | 7.11 | 11.02 | 11.44 | 12.37 | 13.46 | 14.63 | 15.35 |
| BUILDING CONTRACTORS | 6.68 | 9.04 | 9.57 | 10.36 | 10.74 | 10.79 | 11.18 |

* Men's and women's garments
SOURCE: U.S. Bureau of Labor Statistics

Hourly earnings in the corset and brassiere industry were up 24 cents. In the "other outerwear" industry, which produces a variety of sportswear items among others, the gain was 15 cents. Hourly earnings advanced 12 cents in knitted underwear mills and 11 cents in children's outerwear. The smallest advance this year was in the blouse industry, which moved up by only 8 cents an hour.

## COMMENTARY

Economic stability and continued expansion are jeopardized by the Administration's spending, tax and regulatory policies.

* Financial deregulation, questionable lending practices and depressed conditions in such industries as oil exploration and farming have increased bank failures and eroded depositor confidence in a number of thrift institutions. Restructuring of loans to third world countries also continues to be a source of potential instability for the world banking system.

* Slower than expected growth has forced a revision of federal budget deficit projections. New estimates place the 1988 deficit at between $158 billion and $172 billion -- $50 billion to $70 billion higher than previously.

* Despite increasing recognition of the need for additional revenue to lower the budget deficit, there is concern that a tax increase will further dampen aggregate demand and increase the likelihood of a recession.

* While the new Reagan tax proposal moves in the direction of taking the poor off the federal income tax rolls, it would lavish still further tax cuts on the rich. To finance these lower tax rates, the proposal would subject health insurance, disability payments and the full amount of unemployment compensation to taxation. The net effect of such a tax law would be to exacerbate the growing inequalities of income and wealth.

The Administration's tax reform proposal passed up an opportunity to eliminate some of the tax incentives fueling the wasteful wave of mergers, buyouts and corporate takeovers. The intensified takeover and merger binge is part of a broader range of speculative practices that has led financier Felix Rohatyn to observe, "We are turning the financial markets into a huge casino".

The pace of merger activity has accelerated dramatically under the Reagan Administration's laissez faire anti-trust approach. Many of the mergers in recent years would have been unthinkable under earlier Administrations. For example, it is unlikely that the $13.3 billion Chevron-Gulf Oil or the $10.1 billion Texaco-Getty Oil mergers would have been permitted earlier.

The total value of mergers and acquisitions in 1984 reached $122 billion. Since 1981, such deals have involved over a third of a trillion dollars and no letup is in sight. Within a recent four-week period, there were three mega-mergers each valued at around $5 billion -- R. J. Reynolds-Nabisco Brands, Allied Corp.-Signal Companies, and General Motors-Hughes Aircraft. In the same period, Texas Air announced the $800 million acquisition of TWA to form the

nation's second largest airline and conglomerate Gulf & Western moved to sell off an assortment of operations to Wickes Co. for about $1 billion in cash.

The present tax code encourages corporate mergers in two main ways. Tax deductibility of interest payments encourages buyers to borrow the large sums frequently needed to gain control of a corporation. Secondly, one company's depreciation write-offs or unused tax breaks often are important in attracting companies seeking ways to reduce their tax liability.

The growing importance of institutional investors in the stock market is also contributing to the increase in takeovers. The fiduciary duty of pension fund trustees, whose funds own about 50 percent of the stock of large firms, leads them to pursue the highest immediate investment return. Companies with undervalued stocks become takeover targets because an acquiring company can get fund trustees to sell out by bidding up the stock price.

While a few mergers may make economic sense in terms of creating a more productive enterprise, most merger activity stems from the speculative actions on the part of raiders, investment bankers, commercial bankers and arbitragers who seek fast paper profits.

According to Business Week, between one-half and two-thirds of mergers are failures. The increased number of loss write-offs and divestitures involving previously acquired companies indicates that many corporate combinations were ill-considered. The ultimate conglomerate, ITT, recently moved to dispose of a dozen acquisitions and other assets valued at $1.7 billion. Mobil Oil wrote off $500 million in losses incurred in trying to operate Montgomery Ward. Exxon wrote off its $1.3 billion investment in Reliance Electric.

Mergers frequently have negative short- and long-term consequences for the economy. Typically, they are carried out through the extensive use of borrowed funds. Federal Reserve Board Chairman Volcker has expressed concern that mergers crowd out lending for productive purposes.

While some may insist that merger loans do not detract from the overall supply of funds available for investment, such loans affect the balance sheets of both banks and borrowers and constrain their ability to lend for or make productive investments. Such purely financial investments as merger lending produce only a change in the ownership of existing assets and add nothing to the nation's productive capacity.

Recent years have witnessed a surge in leveraged buyouts (LBOs), which involve little personal investment by buyers and rely heavily on borrowed funds. LBOs often result from an effort to fend off hostile takeover attempts. This leads to high interest payments and pressure to generate cash to pay off debt.

Another dubious product of merger financing methods has been the proliferation of junk bonds -- high yielding, low quality securities. LBOs and junk bonds leave companies precariously vulnerable to interest rate rises and economic downturns. Also, heavy debt loads often lead to drastic measures to slash operations and result in layoffs, plant closings or attempts to wring wage concessions from employees.

In attempting to reduce the $4.5 billion debt it took on in fighting off two unfriendly takeover attempts, for example, Phillips Petroleum resorted to massive early retirements, sold off some assets and is now contemplating the layoff of workers.

Acquired companies are often treated as "cash cows". The acquiring company drains a new acquisition of its liquid assets and deprives it of resources needed for new investment in order to retire debt incurred in the purchase and "to make a quick killing".

The main arguments advanced in support of mergers should be considered in a broader context than is typically the case. One argument has it that the fear of a hostile takeover forces management to shape up. While changes may be made to improve short-term profits, these are often done at the expense of such longer-term needs as research and product development, plant and equipment investment and employee training and promotion.

A related argument is that shareholders benefit from higher stock prices. However, this concern should be balanced by the interests of workers and communities. Such concerns were expressed recently by Abraham Briloff, the noted authority on corporate accounting practices:

> "A corporate entity of the size and nature generally involved in these takeovers is more than just an aggregation of shareholders' investments. Instead it is a vehicle essential to the fulfillment of the broad spectrum of objectives in our economic, political and social environments. It typically represents an aggregation of enormous resources and concomitant power, and has important responsibilities to labor, consumers, the communities where it functions and to which it relates."